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China-Russia Cooperation: Economic Linkages and Sanctions Evasion

Since Russia's full-scale invasion of Ukraine and the subsequent imposition of sanctions by the coalition of countries supporting Ukraine's independence and territorial integrity, the economic relationship between Russia and China has evolved significantly. The partnership is characterized as symbiotic but highly asymmetrical, with China becoming an essential partner for Russia. China provides crucial markets for Russian exports, as well as access to critical inputs, while Russia, in turn, plays a secondary role. For China, Russia is a beneficial, yet non-essential partner, as it capitalizes on commercial ties without committing to a deep, full partnership. For China, Russia is an ideological ally to challenge US primacy and the current international order.

Both Russia and China are discontent with the current multilateral order (Gabuev, 2024), though with different motives. Russia has long been advocating for a multipolar world and increasingly isolationist policies, seeking to reduce its reliance on the West. In contrast, China, which has benefited significantly from the existing multilateral system, aims to claim a greater role on the global stage, rather than seeking to dismantle it entirely. China continues to engage actively in trade with the EU, the US and other global powers, while Russia's global presence has been significantly scaled down, particularly by sanctions following its invasion of Ukraine in 2022.

Russia's ability to sustain its war effort against Ukraine and challenge the international order depends largely on Chinese support, especially in evading sanctions and accessing critical technology. Without China's assistance, Russia would struggle to finance the war or secure the resources necessary for military operations (Bunzel & Ribakova, 2024). However, this dependence comes with risks. Although China does not formally endorse Western sanctions, it is cautious about transactions that might expose Chinese businesses to penalties or damage broader commercial interests, particularly its access to the EU and US markets.

Since Russia's full-scale invasion of Ukraine in 2022, bilateral trade between Russia and China has surged to record levels (Perry, 2025). Both nations benefit from their new "no limits" partnership (Joint Statement, 2022), though not equally so. For Russia, China has become an essential trading partner, overtaking Europe in importance, while for China, Russia remains a relatively unimportant market. In exchange for its energy and commodities (Hilgenstock et al., 2023),¹ which are critical to Russia, but not indispensable for China, Russia receives Chinese consumer goods, cars and technological imports (Leahy et al., 2024).

While trade flows are booming, investment from China to Russia remains modest. Chinese companies have opportunistically capitalized on the withdrawal of Western competitors from Russia. However, despite bold announcements of planned investments totaling US \$200 billion (Skan, 2024), most cooperation projects, including large-scale ventures like the Power of Siberia 2 pipeline, exist only on paper. While there has been some progress in areas of financial and payment system linkages, cooperation in these sectors, and even trade transactions, has been significantly hindered by the US's threat of secondary sanctions.

With Russia's ability to transact in dollars and euros severely restricted by sanctions, the Chinese yuan has steadily grown in prominence in the Russian economy. The combined share of curren-

¹ Russia's energy exports to China are just as necessary for Russia as they are for China, if not more so.

cies of countries “unfriendly” to Russia declined from 87% to 18% for exports and from 67% to 18% for imports between January 2022 and December 2024. Nearly 90% of the transactions are reportedly settled in yuan and rubles, as President Putin announced in December 2024. Nonetheless, the threat of US secondary sanctions on Chinese banks, as outlined in an executive order issued in December 2023, resulted in a slowdown in Russia-China trade in 2024. Exports from China to Russia decreased by approximately 1% in the first half of 2024, while Russian exports to China grew only modestly.

The Russia-China relationship, though strategically important, is fraught with tensions. Russia feels like a junior partner, frustrated by its shift from being a major exporter of high-value goods to China to primarily exporting energy and commodities. This dissatisfaction is compounded by China’s reluctance to invest in Russia and its hesitancy to challenge Western sanctions. Russia is also concerned about the growing influence of the yuan. Meanwhile, China faces its own challenges in the relationship. Russia is a relatively small market for China, and China’s diversified energy strategy reduces its reliance on Russian exports. Leading Chinese companies are cautious about risking global market access by deepening ties with Russia, especially given Western sanctions. China is also wary of Russia’s growing ties with North Korea, which could complicate its regional strategy, and historical border issues between the two nations remain unresolved.

Sanctions are a crucial tool in economic statecraft but are not a guaranteed solution for geopolitical conflicts (Itskhoki & Ribakova, 2024). Their effectiveness depends on clear objectives, comprehensive enforcement and realistic goals. Sanctions are more impactful when applied decisively and comprehensively, as gradual implementation allows target countries to adapt. The sanctions imposed on Russia since 2014, particularly after its 2022 invasion of Ukraine, highlight these complexities. While they caused significant costs, the continued energy exports and the gradual timing of sanctions, along with enforcement gaps, limited their effectiveness. Russia’s economic size and global commodity market integration further diluted their impact, showing that larger, economically integrated nations can mitigate sanctions better than smaller ones.

The involvement of nations like China, but also Turkey and the United Arab Emirates, which helped Russia circumvent sanctions, underscores the difficulty of maintaining a unified sanctions regime. This reveals the trade-off between vague sanctions designed to signal intent and those with clear objectives and strict enforcement. In the context of an all-out conflict, sanctions with specific targets, firm enforcement and secondary sanctions on third-party nations are likely to be more effective. Ultimately, sanctions must be carefully tailored to achieve specific, attainable outcomes to maximize their impact.

The Russia-China relationship is symbiotic but asymmetrical – essential for Russia, but only a secondary concern for China, which takes advantage of Russia’s vulnerabilities. While China currently acts as Russia’s lifeline, after a potential settlement in Ukraine and the removal of sanctions, Russia may find itself deeply indebted to China, compelled to offer support in return.

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